

## ABSTRACT

A method for prepayment of mortgage having an associated fixed interest rate where the payoff amount is lowered in proportion with the difference between said fixed interest rate and the market interest rate for similar new mortgages. A method for prepayment of mortgage having an associated fixed interest rate or an adjustable interest rate and an associated rate adjustment schedule where the payoff amount is lowered in proportion with the difference between the principal amount of debt and the price that such mortgage would fetch if sold in the secondary market. Methods are used to offer borrowers mortgage prepayment incentive in an economic environment characterized by increasing interest rates.